



# Property Tax Newsletter

## News and developments

*A publication of the Property Tax Section*

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Tax Commissioner

### Reference Material Available to Assessment Officials

The North Dakota Association of Assessing Officers (NDAAO) added two new books to its library that is maintained at the Office of State Tax Commissioner.

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One is titled “*The Valuation of Subsidized Housing*.” It consists of a compilation of papers and presentations centered on the topics of:

- policy perspectives on affordable housing
- the legal approaches to valuation
- the appraisal and assessment challenges of subsidized housing

The second book is titled “*Issues Confronting Properties Affected by Contamination or Environmental Problems*.” This book consists of a collection of papers and presentations related to these issues. Also included are several articles pertaining to:

- discussions of “brownfields” (abandoned, idle or underutilized former industrial, commercial, or manufacturing sites that may be severely polluted or perceived to be pervaded by significant environmental contamination)
- stigma and the marketplace
- valuation and appraisal perspective
- lender perspectives
- legal perspectives
- case studies and particular locales
- evolving standards

Another publication, available in the Office of State Tax Commissioner, is “*Hotel/Motel Valuation: A Basic Overview*.” This publication relates to hotel/motel categories, terminology, special considerations (personal property, business value, data sources), and the valuation process.

Anyone interested in checking out one of these publications, or any other material in the NDAAO library, may contact LuElla Dahme. 

### Assessor Education

Township and class II city assessors must successfully complete a statewide standard test within one year of their appointment or election in order to become certified by the State Supervisor of Assessments. County directors of tax equalization present 24 hours of instruction to those assessors to prepare them for their duties and the certification test. Almost annually, County Directors of Tax Equalization Larry Osborn and Noel Johnson conduct the instruction. Based on their experience, they offer the following comments.



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Larry Osborn

"The 24 hour school is a good review of all assessment practices. I spend a lot of time on the basic principles and highest and best use. Instruction regarding estimating market value using the three approaches to value is a must. The section pertaining to assessment laws and procedures is very important. My goal is to make the students familiar with the terminology, what it means and how to use it.

"I use the manual for Course 303 - Teaching Appraisal Techniques to instruct the assessors. I like the notes on the side and have made notes of my own so I can remember to bring up a problem or situation again in another school.

"It takes a full 24 hours to teach all of the material. I would like more time to teach the students on how to use the Richland County valuation programs for residential properties and agricultural land, but end up doing this at the annual assessor seminars instead. There are certain parts of the course I skip, such as Units O, P and Q, because we just plain run out of time."

"Twenty four hours is the minimum amount of time for presenting the instruction. Tax directors may instruct assessors for more than 24 hours if they need additional time to prepare their assessors. Tax directors who provide the 24 hours of instruction instead of having the assessors simply study the Supervised Home Study Manual better prepare the assessors for their duties."

Noel Johnson

"Teaching the 24 hour course is probably as much of a learning experience for me as it is for the assessors - to teach, you need to know what you are talking about. Over the years, I have tried about every combination for certifying assessors - giving out the supervised home study manual, then testing; giving out the supervised study manual, then giving limited instruction; and conducting the full course. The only sure success has been giving the entire course. There is no way that anyone can comprehend the material and successfully do the work problems unless they have attended the course with instruction.


"Criticisms I have heard from the local assessors pertain to the amount and depth of the material - especially for the rural assessors. Appraisal theory and the work problems for the sales comparison approach have been the biggest sore spots for the rural assessors. I don't know how you could cut out those areas and still give broad-based instruction.

My goals as an instructor -

- 1) Pass the test!!! - I do not want anyone to have a question on the test that I have not covered in class via a quiz or a work problem!
- 2) Don't take things too seriously - these assessors are part time, underpaid - God bless them for doing the job.
- 3) Emphasize the things that enable them to do their job - farm residence exemption for rural assessors - cost approach for city assessors and some rural assessors.
- 4) Reference materials - everything covered in any instruction will be forgotten within a few days - they need to know where to find the information when they need to use it.
- 5) Assistance - every assessor leaves the class with the knowledge that we are willing to go out and assist them with their duties until they have the confidence to do it themselves."

The Office of State Tax Commissioner prefers that tax directors provide a minimum of 24 hours of instruction to local assessors.


County directors of tax equalization and class I city assessors have different educational requirements for certification. The Office of State Tax Commissioner conducts assessment and appraisal courses to prepare individuals for certification as Class I City Assessor and County Director of Tax Equalization. The State Supervisor of Assessments allows individuals to challenge certain

courses without attending the classroom instruction. Those courses are 101 - Tax Administration, 102 - Principle & Theory of Value, and 203-C - Introduction to the Income Approach. The only way an individual may challenge Course 303 - Teaching Appraisal Techniques is by providing a valid ND teaching certificate and by taking a comprehensive exam. Courses 201- Residential Property Appraisals, 202-Agricultural Land Valuation, 203-A – Commercial Property Appraisal, and 203-B – Commercial Cost Approach cannot be challenged. Individuals can obtain qualifying residential and commercial appraisal education from sources other than the Office of State Tax Commissioner. 

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## On-Line Instruction

The Property Tax Division plans to make certain assessor training available on the Office of State Tax Commissioner Web site. The two most applicable courses are the 24 hours of instruction for township and class II city assessors and Course 102 – Principles and Theory of Value.

After revision, the Supervised Home Study Manual and the outline and work problems for Course 102 will become available on the Web site. Individuals will be able to download the document and complete the instruction on-line. 


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## Secrecy Provisions For Statements of Full Consideration

North Dakota Century Code § 11-18.1-02.2 provides that whenever a deed is filed with the County Recorder, the grantee is responsible for certifying one of four statements on the face of the deed:

1. Grantee reported the purchase price to the State Board of Equalization
2. Grantee filed a report of the purchase price with the county recorder
3. Grantee certified the amount paid for the property
4. Grantee designates one of 12 exemptions from the reporting requirement

The State Board of Equalization (the Board) and the county recorder must protect the confidentiality of information filed in their offices. Any information provided to assessment officials must be done in a way that protects the privacy of the grantors and grantees. If any information is disclosed to the public, the penalty for doing so is a charge of a class C felony which is punishable by 5 years imprisonment, \$5,000 fine, or both.

Assessment officials use sales information to determine assessments of residential and commercial property. Assessment officials must be very protective of the information contained on the statements of full consideration. The Office of State Tax Commissioner does not recommend giving any information to appraisers, realtors, governing boards or anyone who requests information contained on a statement of full consideration filed with either the State Board of Equalization or county recorder. If any such sales transactions are used to support an appraisal for assessment or abatement procedures, assessment officials should indicate support by a confidential sale. Nothing should be divulged that could identify the transaction. Even if the same information is also contained on a real estate listing or on the face of the deed, assessment officials should protect themselves by not divulging any information about the transaction. 

***"The State Board of Equalization (the Board) and the county recorder must protect the confidentiality of information filed in their offices."***

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## Mystery of the Ratio Adjustment Worksheet Solved

Every July, county directors of tax equalization and class I city assessors receive a ratio adjustment worksheet from the Property Tax Division. The numbers listed on line 9 of that sheet indicate the percentage adjustment needed for residential and commercial property assessments to reach 100% of

true and full value as required by law. Those percentage amounts are reported to the State Board of Equalization who uses the information on the second Tuesday in August to equalize assessments in each county.

Statistics used to complete the worksheet are taken from the Assessment Abstract for the current and prior years, the current-year Supplementary Abstract and the Sales Ratio Study for the current year. The procedure is the same for both residential and commercial property. It is very important that assessment officials verify the correctness of the information contained on the Assessment and Supplementary Abstracts, even if they are computer generated. The correctness of the calculations on the worksheet depends upon the correctness of information contained on the abstracts.

Line 1 contains the total true and full value of land and buildings, structures and improvements for the current and prior year. The total true and full value of commercial property includes vacant lots, which are classified as commercial property. These numbers are taken from the Assessment Abstract for the appropriate year.

Lines 2 and 3 contain the total increases and decreases in true and full value from the previous year as listed on the current-year Supplementary Abstract. The statistics listed on the Supplementary Abstract represent changes in valuation from the previous assessment year due only to the following reasons:

1. Taxable to nontaxable or vice versa
2. Locally assessed to state assessed or vice versa
3. New construction or demolition
4. Change in property classification
5. Annexation of property

Line 4 contains the adjusted true and full value, the result of subtracting the valuation decrease from the true and full value for the previous year and subtracting the valuation increase from the true and full value for the current year. These numbers are then used to determine actual changes in market value from the previous year to the current year.

Line 5 contains the median ratio from the final printout of the current-year's Sales Ratio Study of prior-year sales. For the 2004 assessment year, use the median ratio from the 2004 Sales Ratio Study of 2003 sales.

The number listed on Line 6 is the quotient of dividing the value listed for the previous year on Line 4 by the median ratio listed on line 5. This indicates the relationship of the market value for the previous year compared to the average level of assessments in the prior assessment year.

The value listed on line 7 is calculated by dividing the adjusted true and full value for the current assessment year by the indicated market value for the prior year.

The number listed on line 8 is the result of subtracting the adjusted true and full value for the current year from the indicated market value for the prior year. This number represents the difference in true and full value (market value) from the prior year's assessment to the current year's assessment.


The percentage listed on line 9 is calculated by dividing the difference in market value from the prior year to the current year by the current-year true and full value excluding supplementary changes. The percentage indicates the adjustment needed to get residential and commercial property assessments to reach 100% of true and full value.

County directors of tax equalization should use the worksheet and information on the sales ratio printout to verify whether current-year residential and commercial assessments in each city and the townships are at current market value. If the assessments are not, tax directors should make the appropriate recommendations to the county board of equalization in June.

The opportunity to equalize assessments within and between assessment districts is much better if done at the local and county levels. Some properties may need the recommended change and others

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may not. A percentage change ordered by the State Board of Equalization affects all properties within the classification and if assessments of properties are at or near market value before the change order, they may be moved further away from market value after the change. It is always better to equalize assessments at the local level


A template of the Ratio Adjustment Worksheet, done in Excel, is available from the Property Tax Division. 

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## Reminders Regarding Abstracts

County auditors are responsible for submitting abstracts to the Office of State Tax Commissioner. Assessment abstracts and the Supplementary Abstract are due on or before June 30 each year. The Tax Abstract is due on or before December 30 each year.

Before sending abstracts in, county auditors should verify that the information contained on the abstracts is correct, even if computer generated. Include a copy of the minutes of the county board of equalization with the Assessment Abstract.

The form titled “Changes in True & Full Value” is a worksheet used by assessors to identify individual properties that had changes in valuation from the prior to current year for specific reasons. The values for each assessment district are totaled and county auditors list those totals on the Supplementary Abstract. The Office of State Tax Commissioner uses the county totals and therefore has no need for the “Changes in True & Full Value” form. 


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## Implementing the Detailed Soils Survey

Beginning with the 2004 assessment, agricultural land in Grant County is valued based on productivity, not use, and was implemented by using the detailed soils survey.

Muriel Ulrich, Grant County Tax Director, compiled a synopsis of the entire procedure, from identification of assessment parcel owners to use of engineers, ArcView, PAT program, calculating the number of acres of each soil type, and multiplying the acres for each soil type by the price per acre to determine the agricultural value. Muriel also discusses the process of presenting the program to the board of county commissioners and the public, mailing notices to land owners and conducting the equalization meetings.

Muriel’s report may be especially helpful to tax directors who are currently involved in the process. Muriel is willing to e-mail her report to anyone who is interested. You may contact her by calling 701.622.3311 or you may e-mail her at [mulrich@state.nd.us](mailto:mulrich@state.nd.us). 

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## State Board of Equalization

The State Board of Equalization meeting to equalize locally assessed property will begin at 9:30 a.m., Tuesday, August 10, 2004, in the Pioneer Room on the ground floor of the judicial wing of the State Capitol. Testimony will begin with Richland County.

If anyone intends to appear before the Board, Tax Commissioner Clayburgh, Secretary of the Board, recommends the following procedures:


1. If possible, at least one week in advance, notify the Property Tax Division by telephone or in writing of intent to appear.



2. Prepare 8 copies, three-hole punched, of testimony and supporting documents for Board members and Tax Commissioner's staff.

The following procedures pertain to the meeting.

1. Chairman will call on a specific county.
2. Tax Director or other county representative usually speaks first, followed by other individuals.
3. Representatives of cities are heard during the time allowed for the county.
4. Persons appearing before the Board should address only the Chairman and Board members.
5. If unable to attend the meeting on August 10, an individual may be heard at a subsequent meeting only if the Board specifically grants a different hearing date.
6. An individual who appears before the Board on August 10 will not be heard again unless the Board specifically grants a second hearing to that individual.
7. An individual may provide a written appeal to the Board in lieu of appearing in person. Written appeals must be received before August 10, 2004.

If anyone has any questions or needs additional information, please contact the Property Tax Division at 701.328.3143. 


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## Taxes on Mobile Home Trade-Ins

The Tax Commissioner's Office has learned that there are mobile home dealers who inform individuals who trade in a mobile home during the year and purchase a new one that they are eligible for an abatement of the assessment or refund of a portion of the mobile home tax for the year.


This information is incorrect. The mobile home tax for the year is due on January 10 of each year or within ten days after the mobile home is purchased or first moved into the state. Any unpaid tax is subject to penalty on March 1 or 40 days after the mobile home is purchased or moved into the state.

According to North Dakota Admin. Code § 81-02.1-01-15 (Section M of the Property Taxation Manual) it is presumed the mobile home tax was taken into consideration between the buyer and seller. And, any unpaid tax will be collected from the seller. The tax on any mobile home traded in to a dealer is treated the same as an outright purchase.

County directors of tax equalization may want to remind mobile home dealers of the requirement for mobile home owners to apply for a mobile home permit, and that the mobile home tax for any mobile home traded in is not eligible for any abatement or refund of tax. 

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## 2005 Legislation

The 2005 Legislature will be assembling before we know it. The Office of State Tax Commissioner drafts bills concerning administration of tax laws. The Property Tax Division already has a file of property tax issues. If anyone has concerns or suggestions for bill drafts, please share those with the Property Tax Division personnel. 

### Electronic Newsletter

This newsletter is available free of charge on our Web site at [www.ndtaxdepartment.com](http://www.ndtaxdepartment.com) or in hard copy. We offer an e-mail notification service to subscribers as soon as a new issue is placed on our Web site. To join the e-mail service, simply visit our Web site and click on "Newsletter Subscription" located in the top blue bar at the right side of our home page.

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